

MILPITAS ECONOMIC STRATEGIC PLAN



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Prepared for
City of Milpitas

Prepared by

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EXECUTIVE SUMMARY

THE STRATEGIC PLAN

The Economic Strategic Plan has been prepared through a year-long process guided by the Economic Development Commission (EDC) and City staff. The consultants have prepared a series of technical studies on the City's economy and conducted an extensive public outreach process to gain input from business and community leaders. Based on this information and input, the plan recommends six major goals for economic development in Milpitas:

- Improve Milpitas' image
- Improve retail spending opportunities
- Balance housing supply with demand from local workers
- Improve employability of local residents
- Retain and support the success of existing businesses
- Diversify Milpitas' economic base

These goals are supported by a set of measurable objectives and implementation strategies that constitute an action plan for the City to enhance its economic development success and benefits.

The goals represent the major themes that emerged from the analysis and public discussion of economic development issues and are presented in the EDC's recommended order of priority. Leading the priority list is the need to promote Milpitas more effectively in the global marketplace as well as locally in Silicon Valley. The community has many economic assets that are not well recognized and the City is not readily identified with the leading business sectors in the region. This increases the difficulty of business attraction and even business retention efforts.

The retail sector is particularly important for the fiscal benefit it provides to the City, as well as the potential attractiveness of a diverse and vibrant shopping experience. Milpitas has a relatively large retail sector, yet it faces significant competition from new commercial centers in the area and in general does not perform well on a per square-foot basis.

Providing a diversity of housing options is a critical precursor to supporting a high quality workforce as well as building an exceptional quality of life in the community. The City would benefit in many ways if it could attract more of those employed in Milpitas businesses to live in the community. It is also important to provide housing for business owners and managers as well to better integrate the business sector with the civic life of the community.

In order to benefit Milpitas residents, it is essential that the economic development program focus on helping local workers gain access to job opportunities in the community. A variety of job training and workforce development programs exist, but the City can provide a critical role in coordinating those services to benefit Milpitas workers and businesses.

Finally, activities to promote business retention as well as diversification of the economic base are direct efforts to maintain and improve the job opportunities in the community. Milpitas enjoys a large employment base currently, with 2.8 jobs for each worker residing in the City. However, the region's business climate is turbulent, reflecting global dynamics with market demand and transitions to new technologies. Milpitas must actively strive to remain at the forefront of these trends or the existing business base will erode further in the coming years.

The following discussion highlights the key findings from the public input process and the technical studies completed for the strategic plan. A full presentation of these work products may be found in the Appendices.

PUBLIC INPUT

The public input process included the following elements:

- A business survey of 136 local-serving (primarily retail and service) businesses

- Interviews with twelve senior-level corporate executives and ten members of the EDC

- Survey of 263 employees of one major Milpitas-based corporation regarding their preferences for living and shopping opportunities

- A public forum of 30 City commission members, city staff and members of the public.

KEY FINDINGS:

- Most of the local-serving businesses reported negative growth trends over the past two years, but most plan to stay and even expand in Milpitas. These businesses draw many of their customers from outside Milpitas, although primarily from San Jose rather than the Tri-City area. The most frequently cited business climate assets in Milpitas are central location, easy transportation access and the diverse ethnic population. The greatest weaknesses are high land/rent costs and high housing prices.
- The corporate executives interviewed for the strategic plan process represent 12,000 jobs in Milpitas and 145,000 worldwide in industries such as semiconductors, wireless communications, medical diagnostic equipment, electronic devices and data storage. These executives indicated that Milpitas' former cost advantages for building space have all but disappeared, but the City continues to offer excellent access to regional transportation facilities. The key issues driving change among local businesses, however, are the continued reduction in manufacturing activities due to cost disadvantages and the need for more engineers, specially trained technicians and professional business services to support R&D functions. These trends reduce the demand for industrial space but increase opportunities for office space as well as higher-end housing. This also underscores the need for well-targeted higher education and employment training programs.
- In order to gain a more in-depth understanding of Milpitas' attractiveness to the local workforce, one major corporation agreed to survey their employees. Eighty-two percent of the respondents were not Milpitas residents. Their preferences in choosing a place to live included neighborhood quality, low crime rates, housing quality and housing cost. In comparison, Milpitas residents ranked shorter commutes higher than housing costs. To improve Milpitas as a place to work, respondents recommended increased mass transit, better restaurant choices, improved parks and recreation, and more upscale clothing stores, among other options.
- The key findings from the dialogue among the thirty participants at the Commissioners' Public Forum were: there is a strong desire to create a vibrant downtown or central commercial

district; that a high quality K-12 education is important to families and to the city's image; and, creating a supportive business climate is conducive to economic vitality and higher employment rates.

RETAIL MARKET ANALYSIS

The retail market analysis compares local and regional purchasing power with the actual sales performance of Milpitas retail stores to determine how well the City retail base captures its potential market. The analysis looks in detail at the major retail centers in the City and considers how the type of stores and their market orientation measures up to competitive centers in nearby cities.

KEY FINDINGS:

- With household incomes of nearly \$100,000, Milpitas residents represent a retail market of some \$394 million annually. The City's regional commercial centers, including its high concentration of ethnic-oriented shopping opportunities, actually captures sales of about \$864 million per year. Much of this excess sales capture comes from non-resident workers in Milpitas and from the communities to the south of Milpitas.
- Despite the large size of the retail base, Milpitas businesses lose local sales in such products as automobiles, groceries, furniture and other general merchandise categories. While there are no large concentrations of dilapidated marginal retail businesses, higher end retail stores are not well represented either. In particular, there are no upscale grocery stores or restaurants in Milpitas, even though those types of stores are more common in other parts of Silicon Valley, including communities with incomes comparable to Milpitas such as Cupertino.
- Now under new management, the Great Mall represents a significant opportunity for Milpitas to improve its retail mix. Currently, even though the Great Mall is a significant attractor of retail spending from outside of Milpitas, its total sales per sq. ft. lags behind what other malls typically generate. The evolution of the Great Mall into a more diverse center is a very important consideration for Milpitas' retail future because it represents a unique asset that neighboring communities cannot replicate.
- Milpitas will see significant new competition from the Pacific Commons development in Fremont as well as from the

remodeled centers in the Berryessa and Alum Rock areas of San Jose. It is important for Milpitas to maintain a distinctive character to its retail base in order to effectively compete with these new developments. The international flavor of its commercial centers can be an asset in this regard. There are specific opportunities for auto sales, groceries, upscale restaurants and home improvements/gardening type stores. Milpitas has seen an extraordinary increase in household income in the past ten years, and should take advantage of the shift of consumer demographics to add more upscale shopping opportunities overall.

ECONOMIC BASE AND INDUSTRY CLUSTER ANALYSIS

This analysis describes the job base in Milpitas and identifies industry trends that affect both the job opportunities and the real estate market in the City. The analysis focuses particularly on industry clusters, which are concentrations of interdependent firms in related industries and generally represent higher paying job opportunities in the region.

KEY FINDINGS:

- Santa Clara County has lost more than 250,000 jobs since 2000, and the most recent ABAG forecast indicates a modest recovery of only ten percent of that loss over the next two years. It appears that Milpitas' total employment trends have closely followed those of the County.
- The primary industry clusters represented in Milpitas include computer and communications hardware, semiconductors, electronic components, software, and biomedical. Cluster employment makes up 46 percent of the job base in Milpitas.
- However, several of these clusters are affected by the trends away from manufacturing in the US and toward a greater need for engineers and other professional services. The ability of these clusters to expand is limited by the lack of trained workers needed for R&D and product development activities and the lack of affordable housing in the Bay Area.
- Other emerging clusters may offer better expansion opportunities. These clusters include Innovation Services,

Creative Services, and Managing Offices. These clusters include disciplines such as finance, patenting, technical services, graphic design, public relations, advertising, photography, marketing and the like. Opportunities also exist in new technology areas such as nanotechnology where business activity is gaining in Milpitas.

- Much of the corporate employment in “manufacturing” firms is actually engaged in engineering and design, sales and marketing, finance, human resources and facilities management. Milpitas currently has relatively low employment in independent Professional and Technical services companies despite the fact that this represents much of the future growth opportunity for employment in the area. These growing business opportunities will have greater demand for Class A office space than for industrial and warehousing space.
- The Accommodations and Food Service Industry represents about seven percent of employment in both Milpitas and the County as a whole. The City should consider a strategy to increase more leisure travel to help counteract the softening of the business travel market.

MILPITAS BENCHMARKS

The benchmark analysis provides comparisons for a number of indicators among selected cities in the South Bay Area as well as the state. The comparison cities include San Jose, Santa Clara, Mountain View, Union City, Palo Alto, Fremont, Redwood City, and Pleasanton. The indicators are described below.

KEY FINDINGS:

- The number of workers per household needed to afford a home in Milpitas is 1.3, much lower than any of the comparison cities. Pleasanton is highest at 2.7, and the state average is 2.1.
- The overall unemployment rate for Milpitas in 2004 was 5.4 percent; this was the second highest of all comparison cities with San Jose at 6.2 percent. The unemployment rate for all of California was 5.7 percent.
- Milpitas has the highest percentage of residents speaking at least two languages. In 2000, 60 percent of Milpitas residents spoke two or more languages, while Union City had 59 percent and San Jose had 51 percent. The state average is 39 percent.

- Milpitas has the lowest percent of employed residents working at home. In 2000, only two percent of Milpitas employed residents worked at home. Palo Alto has seven percent and the state average is four percent.
- At 2.8 jobs per housing unit, Milpitas ranks fairly well, below only Santa Clara at 3.3 and Palo Alto at 4.1. Union City's jobs-housing ratio is lowest at 1.0 job per housing unit.
- Milpitas has 1.5 jobs per resident worker, ranking below Mountain View (1.7), Santa Clara (2.4) and Palo Alto (2.6).
- In terms of education measures, Milpitas Unified ranks in the middle of the pack for Academic Performance Index (API) and slightly below the middle in the percent of high school students completing class requirements for admission to UC/CSU.
- Despite its large retail sector, Milpitas ranks fifth in retail sales per capita among the comparison cities, at \$12,890. Palo Alto is number one at \$19,421 while the state average is \$8,618.

From this analysis, Milpitas' strengths are its large jobs base, it's relatively low housing costs relative to wages in the City and it's ethnic diversity. The City ranks in the middle of the pack in terms of educational achievement and retail sales and has a relatively higher unemployment rate. These issues are all addressed in the Economic Strategic Plan.

INTRODUCTION

The Milpitas Economic Strategic Plan includes six major goals for economic development in the City:

- Improve Milpitas' image
- Improve retail spending opportunities
- Balance housing supply with demand from local workers
- Improve employability of local residents
- Retain and support the success of existing businesses
- Diversify Milpitas' economic base

These goals relate to the direction provided during the public input process as well as the technical studies completed during the course of the strategic plan process, which are provided in the appendices for this document. The following discussion briefly outlines these linkages as a prelude to the presentation of the detailed objectives and implementation measures associated with each goal.

COMMUNITY IMAGE

The City's image is at the foundation of the other important goals of the city, including business climate, downtown character, educational performance, and economic mix. Although the distinct goal of improving the City's image as a worldwide cultural and employment center ranked fifth among the eight goals identified in the Economic Development Commission's Public Forum, virtually all of the participants agreed that image played a role in achieving all the other goals. In addition, discussions with business leaders have focused on the need to better promote the City as a desirable place to do business and as a place to live.

Much of the issue here is in creating an identity for Milpitas that distinguishes the community from the other cities in Silicon Valley and the surrounding area. The Profile Subcommittee of the Economic Development Commission has made an initial proposal to the City Council for physical improvements that would better promote Milpitas' location and attributes. In addition, the Subcommittee's report discusses the critical importance of the interface between the business community and city staff, particularly

in regards to development entitlements and permit processing. This issue addresses the number one goal identified at the Public Forum and underscores the vital importance of the customer service approach at City Hall.

The proposed strategic goals for image development would build on the recommendations in the Subcommittee's report to create a brand for Milpitas and highlight its multicultural, global significance as a business center and living environment. In addition, this goal encompasses the desire to highlight schools' achievements and improvements in the community. Education was the third highest ranked issue at the Public Forum, and it was ranked very highly by respondents to the survey of employees. Education was mentioned consistently by executives as a very important factor in employees' selection of places to live. This issue also dovetails with the fourth goal on workforce development and employability.

RETAIL SPENDING

The retail business base contributes significantly to the community's quality of life in a number of ways. The quality and diversity of shopping opportunities can add or subtract measurably to the image of the community for both residents and visitors alike. For Milpitas, the sales tax generated by retail businesses comprises 25% of its total general fund revenue, and significantly adds to the City's ability to fund services such as police and fire protection, parks and recreation, and street and facilities maintenance.

At the Public Forum hosted by the Economic Development Commission, the need for a vibrant downtown ranked very high among the goals identified (see Appendix A). Yet many of the retail businesses surveyed in the city reported declining sales over the past two years. This clearly reflects the overall business downturn in the region, but also may be indicative of the fact that the economic level of the retail mix has not evolved along with the resident population and the types of workers employed in Milpitas businesses. Generally, the changing economic characteristics of the population are creating opportunities for more upscale food stores and restaurants that are currently unmet in the City.

The retail market analysis conducted by ADE indicates that, despite a strong market capture from the surrounding region, Milpitas retail establishments are losing \$137 million in sales from local residents who shop outside the City (see Appendix B). Opportunities to

recapture these sales include new auto dealerships, restaurants, a supermarket, furniture and gardening stores and others. The analysis identifies significant developing competition from new retail centers in nearby communities such as Fremont and San Jose. Milpitas must constantly improve its retail offerings in order to maintain and improve its market share.

JOBS/HOUSING BALANCE

Jobs/housing balance is a multi-faceted issue that also significantly affects the quality of life and economic advancement of the community. On one level, there is the issue of balancing housing opportunities and job opportunities in the community. Milpitas is in the enviable position of providing more jobs than it has resident workers; however, there may not be the desired match between the economic levels of the jobs and the available housing. This results in an extensive in and out commute pattern that not only adds to regional traffic congestion, but also substantially reduces the economic benefit of the jobs in the community. Workers commuting into the City do not spend as much on retail goods and services in Milpitas as do residents. Yet when Milpitas residents are commuting to jobs elsewhere they spend a portion of their retail dollars at their work locations.

This situation can be improved in several ways: by developing more housing at both ends of the economic scale - upscale, executive level housing as well as affordable units; by providing more upscale retail shopping opportunities that better match both the residents' socioeconomic levels as well as shopping preferences of the workforce employed in Milpitas; and by providing greater job training resources to ensure that local residents have full access to the jobs that are in the community. This latter point is addressed in a separate goal below.

In terms of housing, however, local corporations indicate that jobs here in Milpitas are concentrated in occupations associated with research, engineering, sales and finance among others, indicating a substantial demand for housing at the higher levels of the market, which currently are not well served in Milpitas (see Appendix A). At the same time, the Santa Clara County housing market provides few affordable housing opportunities that are needed by workers in the retail and hospitality sectors among others.

WORKFORCE DEVELOPMENT

The strong job base in Milpitas is heavily concentrated in industrial and office-based business uses. Indications from executive interviews conducted for the Strategic Plan are that the long term demand for industrial space will continue to decline, while the need for research and engineering disciplines exceeds the supply of qualified workers. Unlike retail development, industrial and office businesses create little fiscal benefit for the City in terms of net tax revenues available to pay for local services. Their primary benefit to the community is their ability to provide well-paying job opportunities for local residents, thereby creating disposable income for retail purchases and sustaining a vibrant housing market. Well tailored workforce training programs, as well as a sound basic education system, are vital to maintaining an optimal match between job opportunities and workforce skills. Businesses in Milpitas are engaged in a global marketplace. While local agencies, including the City, can have no effect on international market forces, their ability to help companies adapt quickly to changing workforce needs can measurably assist Milpitas companies in their efforts to compete effectively. As importantly, such efforts also help ensure that local residents share in the benefits of local businesses' success.

BUSINESS RETENTION AND EXPANSION

Most new jobs are created in small, entrepreneurial firms. Supporting the growth and expansion of these firms is key to Milpitas' long-term economic vitality. Currently, of the 56,000 jobs in Milpitas about 46% are in the driving industry clusters, 7% are in retail and another 7% in accommodations and food service. It's important to understand the needs of growing firms and be able to link them with the resources they need, whether it be market research, finance, mentoring or business planning.

It's important to acknowledge that these businesses have chosen to locate in Milpitas and that the city has benefited greatly from those business choices. Making sure they are appreciated is an important component of any retention and expansion program.

ECONOMIC DIVERSIFICATION

The significant downturn in Silicon Valley has highlighted the fact that strong local economies must be diversified. In today's technology driven economy, change is the order of the day and cities

must provide a supportive environment for new product development and business models. Much of the work to be accomplished under the previous goals will enhance the business attraction potential of Milpitas as new industries emerge.

GOALS AND OBJECTIVES

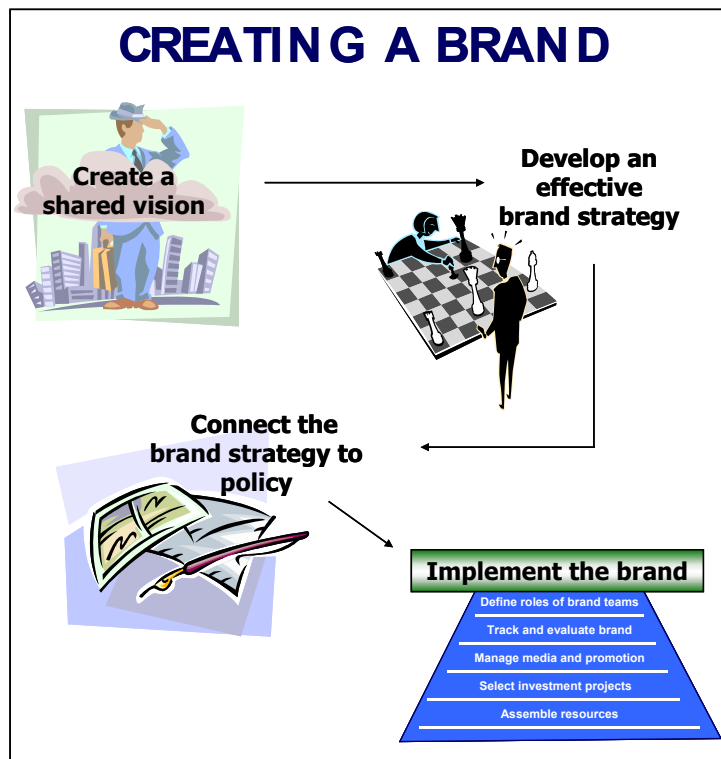
This Economic Strategy is comprised of six goals, each supported by specific objectives and implementation measures.

GOAL 1: IMPROVE MILPITAS' IMAGE AS A PLACE TO LIVE, WORK AND SHOP

OBJECTIVE 1A

Build and maintain an effective place branding strategy

A place's reputation is based on a clearly defined vision of its future. In a globalized world, places compete with other places for talent, investment, spending and jobs. A place branding strategy will build on the work of the economic strategy by building a campaign that promotes Milpitas' strengths and creates a unified message of what Milpitas is and wants to be.



IMPLEMENTATION STRATEGIES

Place branding is a strategic planning process that involves the following steps:¹

1. **Create a shared vision and develop an effective brand strategy** by exploring scenarios, building consensus with the population and involving all stakeholders. Under the guidance of the EDC, establish a Stakeholder Committee whose purpose would be to develop a place branding strategy for Milpitas. The EDC will recommend and the City Council will approve the final



membership of the Stakeholder Committee. The City Council will have final approval authority of the vision and brand strategy. The Stakeholder Committee should include a cross-section of the community, including representatives from the high tech manufacturing industry, the Chamber of Commerce, Downtown Association, education community, arts and culture community and

parks and recreation services and others as appropriate. The process of creating a shared vision would involve building on the work of the EDC in completing the economic strategy by choosing those economic and quality of life assets that set the city apart from others. The place branding committee should



work with a place branding professional to facilitate the process of creating the strategy. This will be a collaborative effort among many sectors of the community as it will define the community for future years. Outcomes may include: one or more creative design

¹ www.placebrands.net

concepts²; a clearly identified audience interested in taking advantage of Milpitas' global connections³; well-defined products (strengths or assets) which will generate interest such as real estate, workforce, customer bases, and educational opportunities⁴; and an appropriate and hard-hitting message or messages⁵.



2. **Connect the brand strategy to policy.** Review and revise, when appropriate, economic development, recruitment and business attraction strategies as well as education and training programs, urban planning policies, and cultural and sporting events. Managing the brand strategy is crucial to its ultimate success. To be effective, city policies and programs should be in harmony with the strategy, since it is implemented through existing or new city programs and policies. As such, it is critical that the strategy be developed by high-level decision-makers. The strategy could affect the design and construction of gateway signs, parks and recreation programming, Chamber of Commerce events, city-wide retail marketing, education programming, and land use planning. This may also involve investigating the feasibility of a directional sign at the Norman Y. Mineta San Jose International Airport.

² Creative design concepts. Effectively positioning a community involves creating an outside awareness of the community. A slogan is needed to introduce and create an interest and curiosity. Slogans, songs, jingles, and other design concepts might be created during visioning sessions and among large stakeholder groups with the assistance of professional marketing agencies with backgrounds in public policy-- agencies that will interview, read and learn about Milpitas and its marketing environment, then provide three or four choices for stakeholder groups to evaluate. The slogan and its related designs might include print advertising, radio advertising, television advertising, brochures, websites, postcards, stationery, and other materials all created in a consistent design.

³ A clearly defined audience. Target industries for attraction, target partners for trading, and target customers for shopping have been discussed in earlier chapters of this report. Specific international targets that would be direct recipients of outreach through advertising, direct mail and other tactics would need to be defined during development of the specific branding program. Initial target locations to consider include countries with large populations and growing economies that would be good trading partners with local business owners (e.g. China, Taiwan, Hong Kong, Indonesia, the Philippines, South Korea, etc.).

Shoppers living in the South Bay are a distinctly different target audience than international business leaders, and while the same brand may attract both, the marketing materials must be tailored to the distinct targets.

⁴ Well-defined products. The positive attributes of Milpitas as defined in the SWOT analysis can be promoted in marketing materials and promotional venues. Those positive attributes include:

Access from major transportation corridors; Trading connections; Bay Area location; Proximity to research institutions and higher education; Proximity to international airports; Proximity to the ports; Existing high profile and high technology businesses; A revitalized midtown; New attractive housing opportunities. A good marketing firm can incorporate these attributes into the branding strategy through words, pictures, graphics and sound.

⁵ Crafting the Message . Messages to be communicated in marketing materials include the positive attributes of the community. As noted above, the message is incorporated into all the city's materials and is repeated often. The message needs to elicit a positive response, so it must match the country or culture for which it is intended. The message must also be short, catchy and hard-hitting for short attention spans and the rhythmic human mind.

3. **Implement the brand**—assemble resources, select investment projects, manage media and promotion, brand tracking and evaluation, and define key roles of brand teams. For instance, one aspect of a campaign could include a Top of Mind Advertising (TOMA) campaign, a message strategy that educates Milpitas residents, schedules key messages on Milpitas to target audiences, and keeps Milpitas in front of prospective decision makers.

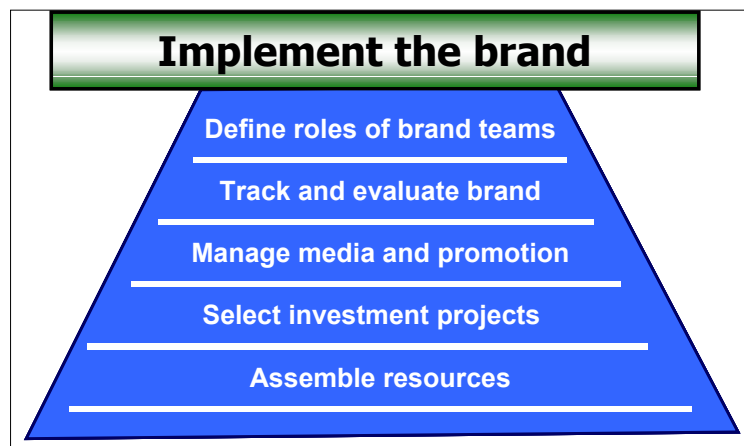
The two keys to a successful campaign are a quality database of targets, plus frequent and consistent messaging to those targets.

TOMA campaigns can be costly, especially if focused internationally. Great care must be taken not to waste any focus or funding. Easier and less costly methods of messaging rely more on word of mouth, and on placing appropriate materials in front of key emissaries.

The TOMA campaign typically includes:

- A rollout or launching, often a formal announcement, media blitz, and or media event;
- Postcards, direct mail, and/or local promotional advertising;
- E-mail newsletters to existing and target businesses;
- A tracking system for responding to inquiries and following up on leads;
- An updated and expanded database actively managed by appropriate staff.

Lastly, the campaign is often more cost-effective if handled cooperatively by leveraging the resources of many groups. For instance, regional marketing groups, international commerce organizations, and trade groups may be interested in joint projects.



EXAMPLE OF A CONCEPT AND PRODUCT TO BE PROMOTED

Following is an example of a creative concept from which to build a brand for Milpitas. The concept of promoting the product—Milpitas as a global community—would be comprised of three inter-related ideas:

- Promoting Milpitas as a global community
- Promoting Milpitas as a center for international business
- Promoting Milpitas as a center for international learning

Part 1: Promote Milpitas as a global community

Sixty percent of Milpitas residents speak two or more languages. This is a much greater share than the statewide average of 39% and far greater than that of Pleasanton where only 17% of residents speak two or more languages. Milpitas could build on this strength by: a) creating a vibrant town center that reflects and celebrates Milpitas' global community; b) by building housing for seniors whose language is not English in conjunction with existing or new neighborhood ethnic retail centers; c) continuing to promote lively arts that celebrate cultural diversity, including an annual global community celebration; and d) attracting a diversity of retailers to the Midtown Area. Implementing this concept may involve establishing a marketing campaign to promote Milpitas' strengths in terms of affordable housing, multi-ethnic retail and global business opportunities. It may involve encouraging architectural design that reflects Milpitas' ethnic diversity in residential, community and commercial buildings.

Develop the concept of a community center whose design reflects a blending of Milpitas' many cultures and which will place Milpitas "on the map." This community center could be a focal point in the Midtown area that acts as a meeting place, a place to have get-togethers, similar to the function of the town square or green or plazas in other well-known global cities. This space will act as a physical connection between commercial, community and cultural activities and global business activities. The proposed Library could serve this purpose.

Part 2: Promote Milpitas as an international center for business.

Milpitas is currently the headquarters for several companies who have offices and manufacturing plants all over the world. Most of these companies design, produce or market communications devices or the electronic components used to assemble them. Building on this strength, Milpitas could establish a center for global communications whose purpose will be to conduct research and promote truly global communications infrastructure and tools development. The Chamber of Commerce could create a Global Business Alliance whose mission is to work with the City and the RDA to promote the development of necessary infrastructure for global business communications within Milpitas.

Part 3: Promote Milpitas as a center for international education.

One of Milpitas' core strengths is its cultural diversity—in the workplace, in the neighborhoods and in the schools. A large number of Milpitas' businesses are truly international. They are either involved in marketing food and products from their homelands or their workers travel the globe to manage projects and meet with clients and suppliers. Sixty percent of Milpitas residents speak at least two languages. Building on these strengths could involve such initiatives as: a) instituting a global business graduate center, where students are educated on the unique aspects of managing a global business enterprise; b) instituting a international language center, providing residents and businesses with the skills to communicate effectively around the globe; and, c) instituting a charter school in Milpitas devoted to international learning.

GOAL 2:

IMPROVE RETAIL SPENDING OPPORTUNITIES

Milpitas residents have higher annual income than residents in nearby cities. In 2001, Milpitas' household income was \$99,000, significantly higher than that for the Tri-Cities, \$89,900 or North San Jose, \$87,300.

An analysis of retail sales in Milpitas indicates that a sizeable portion of household spending occurs outside of Milpitas. This is partly because so many Milpitas residents work in other communities, and partly because the current mix of retail establishments does not meet the needs of Milpitas' households. While the per capita taxable retail sales for Milpitas (\$12,890) compares favorably with nearby cities, this is largely a function of the city's large day-time population of workers and the out-of-town shoppers attracted to the Great Mall and the city's ethnic retail centers.

The Great Mall originally started as a retail center devoted to discount and outlet stores. As such, its sales on a per square foot basis do not compare well to Valley Fair, San Francisco Centre or even to the U.S. average of \$350 per square foot. Shoppers, including many Milpitas residents, are forced to go to other malls to find more diversity of products, especially higher quality clothes, shoes and jewelry. Recently, the Great Mall was purchased by a new owner who plans to gradually phase in more upscale retail stores and restaurants.

Results of an employee survey conducted by a local high-tech employer found that while 96% of respondents patronized eating and drinking places, they also wanted greater choice in restaurants. And, while 80% shopped at department stores, they wanted higher quality choices in clothing and shoe stores.

Participants at the September Public Forum clearly desired a more vibrant downtown.

OBJECTIVE 2A

Diversify mix of retailers within the Midtown area

IMPLEMENTATION STRATEGIES

1. Work with the Milpitas Redevelopment Agency to implement the Midtown Plan, the Transit Area Plan and any future long-range planning policy documents, taking care to create a shopping environment that will attract retailers.
2. In collaboration with the Chamber of Commerce and the Downtown Business Association promote the City of Milpitas as a place to shop.
3. Support and enhance the on-going activities of the Downtown Business Association whose purpose is to increase pedestrian traffic in Midtown and to work with the City EDC to promote the city.

OBJECTIVE 2B

Expand the existing regional shopping opportunities in the area that includes the Great Mall

IMPLEMENTATION STRATEGIES

1. Create a realistic market-based vision through the Transit Area Plan project for the Great Mall area.
2. Improve access to regional commercial and recreational opportunities located between I-680 and I-880 through signage, landscaping, road improvements, light rail, bus, the future BART station, pedestrian pathways, and shuttle service.
3. Involve the owners of the Great Mall in the planning of the areas surrounding it. Share findings of the economic strategy with the Great Mall's owners to assist them in their plans to diversify retail offerings. Support the Great Mall's efforts to increase the number of up-scale retailers and restaurants there.

OBJECTIVE 2C

Increase demand for upscale retail

IMPLEMENTATION STRATEGIES

1. Conduct a household retail survey that will identify areas of opportunity where Milpitas can capture additional retail spending. The survey will identify where residents currently shop, which competing retail centers they frequently visit, and what they would like to see more of in Milpitas. Information from a household survey will provide the information needed to identify specific retail niches that would best serve local residents, and potentially attract spending from Milpitas' large base of daytime workers and shoppers from surrounding communities.
2. In collaboration with the Chamber of Commerce, the Downtown Business Association and the owners of the Great Mall, promote the city's shopping opportunities to existing and new workers and residents.
3. Enhance the market feasibility of upscale retail by expanding the supply and choice of executive-level housing opportunities.

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GOAL 3:

BALANCE HOUSING SUPPLY WITH DEMAND FOR HOUSING BY LOCAL WORKERS

There are 56,000 people employed in Milpitas. Of these, 33,000 are earning wages between \$75,000 and \$99,000.⁶ These include engineers, accountants, marketing managers, sales people and lawyers who have more choices in housing than workers with lower wages. Interviews with corporate executives and results of a survey of one corporation's employees suggests that many people who work in Milpitas choose not to live there for several reasons. These include the lack of choice in neighborhoods and quality of housing, and the quality of K-12 education.

Milpitas does not have enough housing for the people who work there. The jobs to housing ratio is 2.8 meaning that for every housing unit in Milpitas, there are 2.8 jobs. Another way to look at this is to compare the resident labor force with the number of workers employed in Milpitas. As of 2000 there were a little over 34,000 working adults living in Milpitas, but there were about 50,000 jobs in Milpitas.

Milpitas has and continues to be in the forefront of providing affordable housing. Compared to other cities in the region, Milpitas has the most affordable housing. It takes 1.3 workers to afford a home in Milpitas while in Pleasanton, it takes 2.7 workers.

In order to provide adequate housing for workers in the community, a greater diversity of housing choices is necessary. This means increasing housing opportunities at both the upper end and lower end of the market, to accommodate both professional workers in the City's business parks as well as retail and service workers in the City's commercial centers.

⁶ About 21,000 work for firms primarily engaged in manufacturing; 3,900 work in professional and technical services, 5,200 in wholesale trade, another 4,600 are in retail trade and 4,100 are in accommodation and food services. The average wage in two of the largest employment sectors, manufacturing and professional and technical services, is about \$90,000 and \$94,000 respectively. Average wages in retail, wholesale and accommodations are, \$32,000, \$75,000, and \$17,000 respectively. Though 21,000 people may be working for manufacturing firms, they are professionals and administrative staff engaged in activities that support the manufacture of products in other locations, such as engineers, sales people, accountants, human resource specialists and customer service representatives

OBJECTIVE 3A

Improve the balance of housing opportunities and job opportunities by increasing the percentage of Milpitas workers who live in Milpitas

IMPLEMENTATION STRATEGIES

1. Enhance the range of choices in housing and neighborhoods including executive, market-rate housing within the city of Milpitas, through the implementation of the Housing Element and the Midtown Plan.
2. Build upon existing city-led programs to increase the supply of affordable, owner-occupied housing.

GOAL 4:

RETAIN AND SUPPORT THE SUCCESS OF EXISTING AND NEW BUSINESSES

About eighty percent of all new jobs come from new or existing small businesses. The sustainability of Milpitas' economic vitality is supported by linking these growing businesses with resources they need to succeed.

OBJECTIVE 4A

Retain and expand existing Milpitas-based companies.

IMPLEMENTATION STRATEGIES

1. Establish a city government-based clearinghouse of business assistance services available from local, state and federal agencies and other institutions.
2. Consider the establishment of a Business Improvement District.
3. Consider the establishment of HUB or Enterprise Zones.
4. Develop a business location incentive program that is flexible, depending on needs, and emphasizes the use of existing vacant non-residential buildings.

5. Consider development of a facility that would attract nanotechnology companies.
6. Consider development of an energy-saving program to support installation of photovoltaic panels in existing non-residential buildings.
7. Develop and implement a business retention program.
8. Consider a process to identify and update streamlined planning and permit processes to keep pace with the challenges of new and emerging technologies to develop competitive advantages for future business development in Milpitas.

GOAL 5:

IMPROVE EMPLOYABILITY OF LOCAL RESIDENTS

A key indicator of a community's quality of life is the degree to which its residents are as fully employed as they'd like to be. In 2004, Milpitas' unemployment rate was 5.4%, slightly better than San Jose's rate of 6.2%.⁷ Another indicator of quality of life is whether residents have a choice in where they work. With commute times and distances increasing, and with the need to balance child-rearing with work, more and more people are choosing to work from home. In 2000, 2% of Milpitas residents worked from their homes.

OBJECTIVE 5A:

Consider the establishment of a career center that would help match local workers with local jobs.

A number of communities have benefited from the services of a one-stop career services center that helps workers and employers link up with current job opportunities. While NOVA and the State Employment Development Department, as well as other educational and training agencies, often provide job referral services, workers and employers alike are often confronted with a very fragmented system in trying to find the right match. NOVA, in

⁷ Mike Curran, NOVA, 2004

particular, is experiencing budget shortfalls and has had to reduce many of its services. The City could help by establishing a satellite center within Milpitas that would improve access to these services for both workers and employers.

IMPLEMENTATION STRATEGIES

1. Coordinate with existing state and local agencies to provide comprehensive job and training referral services. The City Redevelopment Agency could collaborate with these agencies to help provide the facilities, equipment, and staffing needed for such a center.

OBJECTIVE 5B:

Consider the establishment of specialized training centers that support local jobs.

Milpitas' employers compete in a fast-changing global marketplace where job requirements evolve constantly. In order to meet these demands, well-tailored and responsive training services are critical. Of particular importance are opportunities to train students in technical trades. In the evolving workplace, specialized technicians are increasingly important in the products development process leading from research to engineering. A variety of training resources are currently available through the community colleges, the adult education system and through private training agencies. However, few of these resources are well situated in Milpitas and there is a critical need for better coordination and deployment of job training services. The City could help coordinate facilities for highly specialized training as needed by local companies.

IMPLEMENTATION STRATEGIES

1. Encourage the integration of job training and skill enhancement centers into public and private facilities in the City.
2. Provide coordination services to help employers connect quickly with the right training resources to ensure an adequate supply of skilled workers and ready access for Milpitas residents to local job opportunities.

OBJECTIVE 5C:

Increase entrepreneurial participation among City residents.

A high level of entrepreneurship and self employment in the local population helps enhance the economic security of the workforce and provides extraordinary opportunities for economic advancement.

IMPLEMENTATION STRATEGIES

1. Promote entrepreneurship training opportunities through the local Small Business Development Corporation and private business education institutions. Consider a partnership with the Entrepreneur Center in San Jose to offer entrepreneurship training.
2. Continue to support and encourage home occupancy businesses.

OBJECTIVE 5D:

Improve Milpitas students' preparation for tomorrow's careers and life-long learning needs.

1. Support the Milpitas Unified School District's (MUSD) efforts to increase the number and percent of high school students completing coursework beyond what is required for graduation, especially in math and science.
2. Institute job shadowing and school-to-career programs at the elementary and junior-high grade levels.

GOAL 6:

DIVERSIFY MILPITAS' ECONOMIC BASE

A diversity of basic industries protects the city's economy from the negative impacts of economic cycles and downturns in any one industry. The economic base analysis in Appendix B highlights the trends changing the business landscape in the region. As manufacturing becomes less prominent due to cost competition globally, greater emphasis is placed locally on product development and business services. In addition, new technologies require research

and development and offer new business opportunities in highly advanced areas such as Silicon Valley. Milpitas must engage in a variety of business development and marketing activities in order to keep pace with these emerging trends and develop competitive advantages for business development.

OBJECTIVE 6A:

Attract new businesses to Milpitas.

Business attraction and development is a critical component of an overall economic development program. It supports diversification of the retail base as well as the types of basic jobs and industries in the community. The range of activities can vary from marketing to small business development through incubator programs or other technical assistance.

IMPLEMENTATION STRATEGIES

1. Develop a well targeted marketing campaign to attract businesses with strong growth potential.
2. Explore opportunities to support incubator programs for emerging industries to provide a foundation for long term business growth in new industries.

OBJECTIVE 6B:

Increase the supply of Class A professional office space.

Milpitas' employment in Professional and Technical Services totaled 3,900 (7% of total) in 2002. Of this, about 1,400 jobs are in research and engineering, graphic design, marketing and payroll services. On the other hand, Professional and Technical Services made up 13% of total employment for Santa Clara County.

Between 1991 and 2000, professional and technical service industries including Business Services, Legal Services, Educational Services, Engineering and Management Services, and other business services grew in employment. Despite negative growth between 2001 and 2002, employment in Professional and Technical Services should continue to grow as the region's economy moves from one based on production to one based on specialized services, especially those crucial to starting and growing new technology-based companies.

Without appropriate office space, Milpitas will not be able to attract these types of businesses. Such businesses will usually locate in downtown environments close to restaurants and government facilities. Locations such as the Serra Center, Midtown, and within the regional shopping/recreation/transit center would be appropriate. Other opportunities include the conversion of existing new but vacant office space to Class A office space.

IMPLEMENTATION STRATEGIES

1. Ensure proper zoning in key locations to encourage office development where appropriate.
2. Inform developers of opportunities for new office space development in Milpitas.

APPENDICES

- A: PUBLIC OUTREACH
- B. ECONOMIC BASE ANALYSIS
- C. RETAIL MARKET ANALYSIS
- D. MILPITAS BENCHMARKS
- E. SWOT ANALYSIS
- F. GLOSSARY OF TERMS